

200829032



DEPARTMENT OF THE TREASURY  
INTERNAL REVENUE SERVICE  
WASHINGTON, D.C. 20224

TAX EXEMPT AND  
GOVERNMENT ENTITIES  
DIVISION

U.I.L. No. 414.08-00

APR 22 2008

T.E.P.:RA:T2

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Attn: \*\*\*\*\*

Legend:

Organization A = \*\*\*\*\*

City M = \*\*\*\*\*  
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State W = \*\*\*\*\*

Religion D = \*\*\*\*\*

Communal Agency 1 = \*\*\*\*\*

Communal Agency 2 = \*\*\*\*\*

Communal Agency 3 = \*\*\*\*\*

Communal Agency 4 = \*\*\*\*\*

Communal Agency 5 = \*\*\*\*\*

Communal Agency 6 = \*\*\*\*\*

Communal Agency 7 = \*\*\*\*\*

Communal Agency 8 = \*\*\*\*\*

Communal Agency 9 = \*\*\*\*\*

Communal Agency 10 = \*\*\*\*\*

Communal Agency 11 = \*\*\*\*\*

Communal Agency 12 = \*\*\*\*\*

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Church 1 = \*\*\*\*\*

Church 2 = \*\*\*\*\*

Church 3 = \*\*\*\*\*

Church 4 = \*\*\*\*\*

Church 5 = \*\*\*\*\*

Church 6 = \*\*\*\*\*

Church 7 = \*\*\*\*\*

Council W = \*\*\*\*\*

Committee A = \*\*\*\*\*  
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Date 1 = \*\*\*\*\*

Committee J = \*\*\*\*\*

Plan X = \*\*\*\*\*

Year 1 = \*\*\*\*\*

Dear \*\*\*\*\*

This is in response to a letter dated November 3, 2006, supplemented by additional correspondence dated April 2, June 1, June 11, August 22, and September 19, 2007, and March 14 and April 18, 2008, in which your authorized representatives requested a ruling on your behalf under section 414(e) of the Internal Revenue Code ("Code").

In support of the ruling request, under penalty of perjury you have submitted the following facts and statements:

City M is a large metropolitan area in State W in which people who practice Religion D reside. Although diverse philosophically and in matters of religious observance, the City M adherents of Religion D participate in, contribute to, and assist in maintaining a number of Religion D churches and communal agencies in City M. The Religion D churches are Churches 1 through 7 ("Churches"), which are religious congregations in City M that practice Religion D. The Churches are formal places of worship of Religion D. The Religion D communal agencies are Organization A and Communal Agencies 1 through 12 ("Communal Agencies").

Organization A was founded in Year 1 with the mission of ensuring the continuity of Religion D, enhancing the quality of Religion D life, and building a strong Religion D community in City M. Organization A is a principal fundraiser in the Religion D community in City M. It disburses funds to the Communal Agencies for use in carrying out each organization's individual mission. In some instances, a Communal Agency may receive as much as 85%-95% of its operating budget from Organization A. Organization A is a nonstock membership corporation chartered as a not-for-profit corporation under State W law.

Through paid staffs of professional employees, the Communal Agencies and the Churches operate numerous programs intended to provide communal, cultural, and religious support for individuals professing Religion D in City M. In the aggregate, the Communal Agencies and the Churches serve to further the Religion D teachings, tenets, and principles of righteousness, charity, and social justice, and are committed to providing the means, resources, and planning necessary to accomplish numerous goals including, but not limited to:

1. formation of a Religion D system of communal social service, cultural, and educational agencies (i.e., the Communal Agencies) in City M;
2. support for programs and services of the City M Communal Agencies that implement their missions;
3. acting in a centrally organized manner for soliciting, collecting, allocating, and distributing funds received from contributions, bequests, and endowments, and assisting other charitable, educational, and religious institutions in meeting the needs of Religion D adherents in City M;
4. identification, recruitment, education, and motivation of Religion D adherents who will be willing to serve in leadership positions within the City M Religion D community;
5. strengthening of Religion D churches and congregations within the community;
6. dissemination of information of interest to practitioners of Religion D in City M, in particular news about community events and religious education; and
7. support and assistance for efforts at improving social, economic, and cultural well-being of Religion D adherents in the City M metropolitan area.

According to its mission statement, Organization A adheres to Religion D religious doctrine and also requires that all members be Religion D members. Organization A also adheres to the tenets of Religion D by virtue of its extensive reliance on Religion D clergy guidance in all facets of its operation, by spending its resources and providing programming that is in accordance with Religion D law, and by serving as a financial fundraiser for the Churches in accordance with Religion D law. Organization A also receives assistance from Religion

D institutions, including substantial spiritual assistance from clergy of the Churches.

The Churches and the Communal Agencies are all chartered as not-for-profit corporations under the laws of State W. Each corporation has been determined to be an organization as described in section 501(c)(3) of the Code and is exempt from federal income tax under section 501(a).

The relationship between the Communal Agencies, including Organization A, and the Churches is mutually supportive and beneficial. The Churches and their clergy generally are strong supporters of the Communal Agencies, providing facilities for meetings and publicity for fundraising campaigns. The Churches also are major beneficiaries of programs and projects that either are operated or supported by the Communal Agencies and are designed to enrich the lives of, or provide educational support for, adherents of Religion D in City M. Many individuals who are, or have been, officers of the Churches also serve as members of the Boards of Directors of the Communal Agencies. The vast majority of current members of the Boards of Directors of the Communal Agencies are actively affiliated with Religion D and a City M Church. In addition, more than half of the Communal Agencies have one or more members of the Religion D clergy occupying staff positions.

Contact and cooperation between the Communal Agencies and the Churches is further buttressed by institutions specifically designed for such purposes. Council W, a State W council of Religion D clergy, and Committee A, an agency relations committee of Organization A, are intended to further the mutual interests that exist among the Communal Agencies and the Churches. In furtherance of the teachings and tenets of Religion D, the Communal Agencies and the Churches sponsor numerous joint programs throughout the year. These programs emphasize the common aims of Religion D, such as the promotion of religious education, outreach to co-religionists who currently are not affiliated with a City M Church, and strengthening of community programs to ensure that future generations are committed to Religion D.

The Churches, Organization A, and the other Communal Agencies are staffed by paid, professional employees. Prior to Date 1, the Churches and the Communal Agencies each maintained separate group health plans for the benefit of their own employees and their employees' dependents.

The availability of cost-effective group health benefits for the employees of small employers had become a serious problem for the Communal Agencies. Some of the employees of the Communal Agencies were part-time employees at more than one Communal Agency. They earned the equivalent of full-time pay but did not qualify for group health benefits at any single agency due to insufficient service hours for any one agency. The Communal Agencies believed that good quality health care for workers and their families should be provided to all of their full-time equivalent employees at an affordable cost.

In searching for ways to provide good quality health care to their employees and their

families, the Communal Agencies determined that a group welfare plan was the most appropriate means to accomplish their objective. For this purpose, Organization A, in partnership with the other Communal Agencies and the Churches, combined to establish Plan X. The Communal Agencies and the Churches joined together cooperatively to establish Plan X primarily for the purpose of making lower cost health care available to their employees. Plan X was effective as of Date 1. It has been represented that Plan X has never made the coverage election provided for in section 410(d) of the Code and has never filed a Form 5500. In addition, the Communal Agencies formed Committee J for the sole purpose of administering employee benefit plans for its member employers, including Plan X. Plan X is sponsored by Organization A in partnership with the other Communal Agencies. Plan X is intended to cover the employees of Organization A and the other Communal Agencies, as well as the employees of the Churches. Committee J's sole purpose is the administration of Plan X, which may include entering into plan related contracts with insurers and benefit providers.

Committee J is a nonstock membership corporation chartered as a not-for-profit corporation under State W law. Membership in Committee J is limited to (i) Organization A and its constituent, member, and affiliated agencies which are tax-exempt organizations as described in section 501(c)(3) of the Code and are governed in accordance with the tenets and principles of Religion D and share its mission and philosophy; (ii) religious congregations and Churches in City M, members of which are adherents of Religion D; and (iii) other employers in State W which are tax-exempt organizations described in section 501(c)(3) of the Code and are governed in accordance with the tenets and principles of Religion D and share its mission and philosophy. An employer must be designated as a member of the corporation by the Board of Directors of Committee J. None of the members or any of their employees are engaged or employed in connection with unrelated trades or businesses within the meaning of section 513 of the Code. Only employees of members of Committee J, including employees of Organization A, are eligible to participate in Plan X. No employees of for-profit entities can participate in Plan X.

Committee J administers Plan X. Its governing board is required to adhere to the tenets, principles, mission, and philosophy of Religion D. Members of Committee J are divided into three classes of members. The Large Employer Members are designated employers which have fifty or more full-time equivalent employees. The Intermediate Employer Members are designated employers with from ten through forty-nine full-time equivalent employees. The Small Employer Members are designated employers having one or more but fewer than ten full-time equivalent employees. The members of the Board of Directors of Committee J are elected by its members. The Large Employer Members elect six directors; the Intermediate Employer Members elect two directors; and the Small Employer Members elect one director. The Bylaws of Committee J require that its Board of Directors govern the corporation's affairs in accordance with the tenets, principles, mission, and philosophy of Religion D.

Based upon the foregoing facts and representations, Organization A requests a ruling that Plan X, sponsored by Organization A and participated in by eligible Communal Agencies,

is a church plan within the meaning of section 414(e) of the Code.

Section 414(e)(1) of the Code generally defines a church plan as a plan established and maintained for its employees (or their beneficiaries) by a church or by a convention or association of churches which is exempt from taxation under section 501.

Section 414(e)(3)(A) of the Code provides that a plan will be treated as a church plan if it is maintained by an organization, whether a civil law corporation or otherwise, the principal purpose or function of which is the administration or funding of a plan or program for the provision of retirement benefits or welfare benefits, or both, for the employees of a church or a convention or association of churches, if such organization is controlled by or associated with a church or a convention or association of churches.

Section 414(e)(3)(B) of the Code provides, in part, that an employee of a church or a convention or association of churches shall include an employee of an organization, whether a civil law corporation or otherwise, which is exempt from tax under section 501 and which is controlled by or associated with a church or a convention or association of churches.

Section 414(e)(3)(C) of the Code provides that a church or a convention or association of churches which is exempt from tax under section 501 shall be deemed the employer of any individual included as an employee under subparagraph (B).

Section 414(e)(3)(D) of the Code provides that an organization, whether a civil law corporation or otherwise, is associated with a church or a convention or association of churches if the organization shares common religious bonds and convictions with that church or convention or association of churches.

In order for an organization that is not itself a church or a convention or association of churches to have a church plan under section 414(e) of the Code, that organization must establish that its employees are employees or deemed employees of a church or a convention or association of churches under section 414(e)(3)(B). Employees of an organization maintaining a plan are considered to be church employees if the organization: (1) is exempt from tax under section 501 of the Code; (2) is controlled by or associated with a church or a convention or association of churches; and (3) provides for administration or funding (or both) of the plan by an organization described in section 414(e)(3)(A) of the Code.

In this case, Organization A, the other Communal Agencies, and the Churches who are participating employers in Plan X are all chartered as not-for-profit corporations under the laws of State W. Each has been determined by the Service to be an organization as described in section 501(c)(3) of the Code and exempt from tax under section 501(a).

Organization A was founded in Year 1 with the mission of ensuring the continuity of Religion D, enhancing the quality of Religion D life, and building a strong Religion D community in City M. Each of the Churches and Communal Agencies shares a similar

mission, depending on its specific purpose, including furthering Religion D teachings, tenets, and principles of righteousness, charity, and social justice. The Communal Agencies and the Churches are funded and supported by the adherents of Religion D in City M. Although diverse philosophically and in matters of religious observance, the Churches (and Church members as individuals) participate in, contribute to, and assist in maintaining the Communal Agencies.

The relationship between the Communal Agencies, including Organization A, and the Churches is mutually supportive and beneficial. The Communal Agencies have a continuing responsibility to promote affiliation with Religion D and a number of members of the Religion D clergy sit on the Boards of these organizations. Many individuals who are, or have been, officers of the Churches also serve as members of the Boards of the Communal Agencies, and the vast majority of current Board members are actively affiliated with Religion D and a City M Church. In addition, more than half of the Communal Agencies have one or more members of the Religion D clergy occupying professional staff positions, and contact, collaboration, and partnership between the Communal Agencies and the Churches is further enhanced by the ongoing operation of Council W and Committee A.

The Churches are religious congregations in City M that practice Religion D, as well as formal places of worship of Religion D. The ongoing interrelationships and strong commitments to furthering the teachings, tenets, and culture of Religion D among members of Organization A, the other Communal Agencies, and the Churches, evidence the common religious bonds and convictions that exist among members of these institutions and to Religion D. Thus, it is concluded that Organization A and the other Communal Agencies share common religious bonds and convictions with the Churches and are considered to be associated with the Churches within the meaning of section 414(e)(3)(D) of the Code. It is further concluded that the employees of Organization A and the other Communal Agencies are employees of organizations that are exempt from tax under section 501 of the Code and associated with the Churches within the meaning of section 414(e)(3)(B). Accordingly, under the rules of section 414(e)(3)(B) and 414(e)(3)(C) of the Code, the employees of Organization A and the other Communal Agencies are deemed to be employees of the Churches, and are, therefore, considered to be church employees for purposes of the church plan rules.

Having established that the employees of Organization A and the other Communal Agencies are deemed to be church employees, the remaining issue is whether Committee J is an organization controlled by or associated with a church or a convention or association of churches that has as its principal purpose or function the administration or funding of a plan or plans for the provision of retirement benefits or welfare benefits, or both, within the meaning of section 414(e)(3)(A) of the Code.

In this case, it has been represented that the Communal Agencies and the Churches have relationships which are mutually supportive and beneficial. Organization A and the other Communal Agencies share common religious bonds and convictions with the Churches as evidenced by their actions and missions. It has also been represented that the Communal

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Agencies formed Committee J solely for the purpose of administering employee benefit plans, such as Plan X, for the employees of the Communal Agencies and the Churches that are members of Committee J. Committee J's Board of Directors consists of nine individuals elected by its members. Committee J's Bylaws require that its Board of Directors govern Committee J's affairs in accordance with the tenets, principles, mission, and philosophy of Religion D. The Board of Directors reports directly to the Communal Agencies, is responsible for overall sponsorship and administration of Plan X, and has final decision making authority with respect to all matters relating to Plan X. Based on these representations, it is concluded that Committee J is controlled by or associated with a church or a convention or association of churches within the meaning of section 414(e)(3)(A) of the Code. In addition, the sole purpose or function of Committee J is the administration of employee benefit plans, including Plan X. Therefore, under the rules of section 414(e)(3)(A) of the Code, Committee J is an organization, the principal purpose or function of which is the administration or funding of a welfare benefit plan for individuals who are deemed to be employees of a church or a convention or association of churches.

Accordingly we conclude that Plan X is a church plan within the meaning of section 414(e) of the Code.

This ruling is directed only to the taxpayer that requested it. Section 6110(k)(3) of the Code provides that it may not be used or cited by others as precedent.

A copy of this letter has been sent to your authorized representatives in accordance with a power of attorney on file in this office.

If you have any questions regarding this letter, please contact \*\*\*\*\*  
\*\*\*\*\* . Please address all correspondence to SE:T:EP:RA:T4.

Sincerely yours,

/s/

Donzell Littlejohn, Manager  
Employee Plans Technical Group 4

Enclosures:  
Copy of deleted letter  
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